

BILL ANALYSIS

Senate Research Center

H.B. 3208
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Texans within the Texas Windstorm Insurance Association (TWIA) service area consistently face high insurance rates and have expressed interest in finding ways to reduce those rates. TWIA's board of directors wants to lower rates for Texans as well, and amending their earned premium policy is something that they suggested as a viable option. When TWIA customers cancel their annual policy early, it creates an administrative burden and prevents TWIA from maximizing funds for the catastrophe reserve trust fund. H.B. 3208 seeks to address the issue of TWIA losing vital operating revenue due to early policy cancellations by providing conditions an insured who requests cancellation of insurance coverage must prove for TWIA to refund the unearned premium to the insured.

H.B. 3208 amends current law relating to the refund of premiums on the cancellation of Texas Windstorm Insurance Association policies by insureds.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 2210.204, Insurance Code, by amending Subsections (d) and (e) and adding Subsections (d-1), (d-2), and (d-3), as follows:

(d) Requires the Texas Windstorm Insurance Association (TWIA), if an insured requests cancellation of the insurance coverage, to refund the unearned premium only if the cancellation was for:

- (1) the purchase of similar coverage in the voluntary market;
- (2) sale of the insured property to an unrelated party;
- (3) total loss of the insured property; or
- (4) a determination by TWIA that the insured property is no longer insurable under TWIA's rules and procedures.

Deletes existing text requiring TWIA, if an insured requests cancellation of the insurance coverage, to refund the unearned premium, less any minimum retained premium set forth in the plan of operation, payable to the insured and the holder of an unpaid balance.

(d-1) Requires the property and casualty agent who received a commission as the result of the issuance of a TWIA policy providing the coverage canceled under Subsection (d), rather than the canceled coverage, to refund the agent's commission on any unearned premium in the same manner.

(d-2) Requires an insured to provide proof in the form and manner prescribed by TWIA of a cancellation reason described by Subsection (d)(1), (2), or (3) to be eligible for a refund under that subsection.

(d-3) Provides that the insured's premium, if an insured requests cancellation for a reason other than a reason described by Subsection (d) or fails to provide proof under Subsection (d-2), is considered earned and is not refundable.

(e) Requires that the minimum retained premium in the plan of operation, for cancellation of insurance coverage under Section 2210.204 (Cancellation of Certain Coverage), be for a period of not less than the full annual policy term, rather than for 90 days, except for certain events specified in the plan of operation that reflect a significant change in the exposure or the policyholder concerning the insured property.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: September 1, 2023.